

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSSB 125(FIN)  
 (S) Publish Date: 5/3/07

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected: Direct Appropriation to Retirement  
 Title An Act relating to accounting and payment of RDU \_\_\_\_\_  
contributions in the PERS and TRS defined benefit plans. Component \_\_\_\_\_  
 Sponsor Senate Rules Committee \_\_\_\_\_  
 Requester Governor Component No. \_\_\_\_\_

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>193,113.2</b>	<b>218,287.0</b>	<b>236,058.0</b>	<b>227,873.0</b>	<b>221,067.0</b>	<b>204,207.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>						
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## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>193,113.2</b>	<b>218,287.0</b>	<b>236,058.0</b>	<b>227,873.0</b>	<b>221,067.0</b>	<b>204,207.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal: ☐

## POSITIONS

Full-time						
Part-time						
Temporary						

## ANALYSIS: (Attach a separate page if necessary)

AS 24.08.036. Fiscal notes on bills affecting State retirement systems. Before a bill which would have an effect on the retirement systems of the State is reported to the Rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the State if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

Transforming the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, in and of itself, results in the State of Alaska as an employer saving in excess of \$186,727,636 as the State's current employer rate is higher (44.01%) than the proposed average rate (cost share rate) for the plan (22%). The amount will be made up by a direct appropriation by the State to the retirement system.

Prepared by: Patrick Shier, Director  
 Division: Retirement and Benefits  
 Approved by: Annette Kreitzer, Commissioner  
 Agency: Department of Administration

Phone: 465-4817  
 Date/Time: 4/30/07 1:00 PM  
 Date: 4/30/07

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BILL NO. CSSB 125(FIN)

### ANALYSIS CONTINUATION

The bill also sets the cost share rate for the Teachers' Retirement System (TRS), already a cost share system, at 12.56%. This represents a savings of \$269,914,245 to TRS employers which includes the University of Alaska, school districts and regional education attendance areas. The amount will be made up by a direct appropriation by the State to the retirement system.

The bill provides a "hold harmless" provision for PERS employers currently paying below the 22% level. The state will pay \$5,385,372 to the retirement system to cover this differential. These employers are listed in the bill.

The bill also provides a "rebate" provision for PERS employers who have previously made additional payments to pay down their share of the unfunded liability. The State will pay \$7,194,207 to the retirement system on behalf of these employers to recognize these previous payments. These employers are listed in the bill.

On July 1 of each year the State of Alaska will make a payment to the PERS and TRS that, when combined with the total employer contributions is sufficient to pay the system's past service liability at the contribution rate adopted by the Alaska Retirement Management Board.

A summary of the required appropriations for FY08 is listed below.

State of Alaska (as an employer)	22% rate included in agency budgets
TRS employers	12.56% rate included in formula funding
PERS employers additional approp. @32.5%	\$180.5 million
*PERS employers below 22% "hold harmless"	\$5.4 million
*PERS employers "rebate" provision	\$7.2 million
TOTAL	\$193.1 million

The amount shown on the contractual line (\$193,113.2) is mostly funded by the \$180 million included in HB95. An additional \$12.6 million\* will be necessary to fund the hold harmless and rebate provisions of the bill.

If the FY08 ARMB board-adopted rate for PERS remains at 39.76%, an additional appropriation of \$123.2 million will also be required.

There is a separate appropriation for \$270 million for TRS included in HB95.